ANNUAL REPORT 1985

british
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place

BRITISH COLUMBIA PLACE LTD.

PRESIDENT'S REPORT

The past year has been one of evolution and movement for British Columbia Place; a year in which to consider present successes, and to evaluate future directions in light of the emerging changes and challenges of this decade.

In terms of successes, I am pleased to report that British Columbia Place has had its share. The B.C. Place Stadium has completed its first year of operation and embarked upon its second, a model among North American stadia, and a rightly appreciated addition to the cultural life of this province. We have seen the bulk of our lands, fully 75%, transformed from a ragged industrial site into the physical framework of pavilions and exhibition areas under construction for Expo 86, now only a year away.

Our first development on the remaining portion of our lands has been well received in the marketplace. With subdivision approval imminent, we can now look to seeing our first neighbourhood as a reality. With the occupation of our lands by Expo, the completion of Pacific Boulevard and the reconstruction of the Connaught Bridge, we can say that the first phase of our site servicing and road development is drawing to a close.

With these successes has come a sense that our role as construction managers, so long an important aspect of our identity as a corporation, is itself drawing to a close. In the past year, British Columbia Place has begun to make the transition to a new stage as a company wholly concerned with the assertive marketing and development of our lands.

In the months since I came on board as President in August, 1984, I have become convinced that the key to this successful transition is in our ability as a company to anticipate the changing forces at play within the marketplace, and to respond with speed and flexibility in the application of our overall development plan. I am confident that the steps we are now taking will ensure a continued performance at the high level of achievement we have attained in the past.

In response to the concerns of the development community and the general public, we have initiated a major shift in emphasis for our development plan. Our first development neighbourhood after Expo will now take place in the eastern-most sector of our lands, the North Park area, instead of our westerly lands as originally proposed. We have commissioned a concept plan for a residential-commercial mix neighbourhood which will tie in with the improvements and investment in the Gastown/Chinatown/Vancouver Townsite Renaissance area taking place as a result of Expo, the City Centennial, and the ALRT construction. This concept plan has been informally discussed with the City and with representatives of the adjacent neighbourhoods, and will be formally presented to the public for further discussion and refinement within this next fiscal year. We look for approval of our zoning and subdivision applications in late 1986, in time for an immediate marketing thrust following the close of Expo.

Our very first development area, the Southeast Granville Slopes neighbourhood, is off and running. A public proposal call was issued in the summer of 1984, and I am pleased to report that developer interest was keen. In addition to a residential complex, the neighbourhood will boast a marina/ restaurant and a first-class hotel, slated to open in July, 1986.

This last year also saw the groundbreaking and construction of the intermediate care facility, Yaletown House, in the Yaletown neighbourhood. This four-storey, 130-bed complex, made possible by the Provincial Government in conjunction with Canada Mortgage & Housing Corporation, will officially open its doors in October, 1985.

Expo 86 has entered a fast-track construction phase, and British Columbia Place is assisting in the design and construction management of two of the permanent pavilions. The British Columbia Pavilion complex will be the host pavilion for the Province. Located just south of the Stadium, this striking complex will be a permanent feature on the B.C. Place lands, a "gathering place" and enduring legacy of the exposition.

Your Company is also managing the restoration of the former CPR Roundhouse, slated to be an exciting theme pavilion during the fair, and the centrepiece of our Roundhouse/Marina neighbourhood after Expo. This heritage building, a tribute to Vancouver's early years, will then house a complex of shops, restaurants, and small businesses.

B.C. Place efforts in site servicing continued throughout the year with the completion of Phase I of the Spine Roads, landscaping, shoreline treatment in conjunction with Expo 86, and the start on construction for the provision of services to the Granville Slopes neighbourhood. The year saw the demolition of the old Connaught Bridge, and the start of construction on its replacement, to which B.C. Place contributed $10.5 million.

The Stadium continues to attract events of a world-class nature. One of the year's highlights was the reception given to Pope John Paul II at the conclusion of his cross-Canada tour. The event was televised nationally, and was warmly received for the style and beauty of the production. The Michael Jackson Victory Tour played three days, setting an all-time attendance record for entertainment activity in the Province. The B.C. Lions Football Club enjoyed another successful season both at the gate and at the box office, with their attendance of 455,908 exceeding our forecast. In addition to entertainment and sporting events, the Stadium has hosted a number of highly successful trade shows, including a number appearing in Vancouver for the first time.

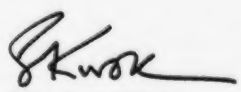
Activities during the past year increased to 152 revenue days, representing a 32% increase over the previous operating period. Overall attendance for all Stadium events during the 1984/1985 fiscal year was 1.7 million, bringing the total patron attendance since it opened in June, 1983, to 3.8 million.

Total revenues exceeded $6.8 million and operating expenses were $4.9 million, resulting in income from operations of $1.9 million before depreciation, which was better than expected.

One outcome of the transition to the role of a marketing and development company was the requirement for a reduced work force. With the cooperation of our sister Crown Corporations, Expo 86 and the B.C. Pavilion Corporation, we were able to accomplish the transfer of a number of our staff to commensurate employment within those companies. As a result, we have been able to reduce our overhead significantly by incorporating our remaining employees in one office.

Our present management team now looks forward to a year of much preparatory work for our new developments, a year in which we can ready ourselves for the years to come. I would like to acknowledge their efforts, and the abilities and enthusiasm of our staff for this great project.

I particularly wish to acknowledge the contributions of our capable Board of Directors, who provide invaluable guidance and counsel on behalf of this Company and the people of British Columbia.



Stanley Kwok
President

Province of
British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
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V8V 1X4

AUDITOR'S REPORT

To the Shareholder of British Columbia Place Ltd., and

To the Provincial Secretary and Minister of Government Services, Province of British Columbia

I have examined the balance sheet of British Columbia Place Ltd. as at 31 March 1985 and the statements of operations and deficit, stadium operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Furthermore, the information required by section 200(2)(a) of the Company Act, R.S.B.C. 1979, which is provided in Note 8 to the financial statements is satisfactory.

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
14 May 1985

BRITISH COLUMBIA PLACE LTD. STATEMENT 1

BALANCE SHEET

AS AT MARCH 31, 1985

	1985	1984
	(in thousands of dollars)	
ASSETS		
Cash	$ ---	$ 441
Accounts receivable and prepaid expenses (note 3)	4,332	13,303
Land and site services (note 4)	134,397	133,459
Stadium (note 5)	162,523	135,031
B.C. Pavilion and Roundhouse (note 6)	19,154	728
Furniture, equipment and leasehold improvements (note 7)	568	325
Deferred charges, less amortization	892	875
Mortgages receivable	2,709	2,689
Investment in B.C. Pavilion Corporation (note 8)	---	---
	$ 324,575	$ 286,851
LIABILITIES		
Bank overdraft	$ 251	$ ---
Accounts payable and accrued liabilities	10,604	14,712
Accrued interest	4,350	1,847
Provision for future costs	647	---
Long-term debt (note 9)	105,972	63,704
Deferred income	1,802	1,750
	123,626	82,013
SHAREHOLDER'S EQUITY		
Share capital (note 10)		
Contributed surplus (note 11)	205,000	205,000
Deficit	4,051	162
	200,949	204,838
	$ 324,575	$ 286,851

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Stanley Kwok, Director

Lucille M. Johnstone, Director

BRITISH COLUMBIA PLACE LTD. STATEMENT 2

STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	(in thousands of dollars)	
Land lease revenue	$ 693	$ ---
Expenses		
Cost of land lease	1,674	---
General and administrative expenses	610	---
Amortization of deferred charges	220	---
	2,504	---
Loss from land operations	1,811	---
Loss from Stadium operations (Statement 3)	2,078	162
Loss for the year	3,889	162
Deficit, beginning of year	162	---
Deficit, end of year	$ 4,051	$ 162

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA PLACE LTD. STATEMENT 3

STATEMENT OF STADIUM OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1985

	1985	Nine Months Ended March 31, 1984
	(in thousands of dollars)	
Revenue	$ 6,813	$ 7,192
Expenses		
Salaries, wages and benefits	1,880	1,685
Operating expenses	2,325	2,398
Advertising and business development	213	337
General administration	367	470
Professional services	106	78
	4,891	4,968
Income before depreciation and amortization	1,922	2,224
Depreciation	3,698	2,098
Amortization of deferred charges	302	288
	4,000	2,386
Loss from Stadium operations	$ 2,078	$ 162

The accompanying notes are an integral part of these financial statements.

BRITISH COLUMBIA PLACE LTD. STATEMENT 4

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	(in thousands of dollars)	
SOURCE OF FUNDS		
Loss for the year	$ 3,889	$ 162
Deduct items not involving current cash outlay:		
Depreciation (Stadium)	3,698	2,098
Depreciation component of general and administrative expenses (Land operations)	63	---
Provision for future costs	647	---
Amortization of deferred charges	522	288
Funds from operations	1,041	2,224
Decrease in:		
Cash	441	1,747
Accounts receivable and prepaid expenses	8,971	---
Increase in:		
B.C. Pavilion and Roundhouse, recoveries	15,397	435
Bank overdraft	251	---
Accrued interest	2,503	1,847
Long-term debt	42,268	63,704
Deferred income	52	1,214
	$ 70,924	$ 71,171
APPLICATION OF FUNDS		
Increase in:		
Accounts receivable and prepaid expenses	$ ---	$ 11,963
Land and site services, before allocation to Stadium	30,616	30,170
Stadium, excluding land and site services allocation	1,372	19,774
B.C. Pavilion and Roundhouse, costs	33,823	1,163
Furniture, equipment and leasehold improvements	446	95
Deferred charges	539	297
Mortgages receivable	20	34
Decrease in:		
Accounts payable and accrued liabilities	4,108	7,675
	$ 70,924	$ 71,171

The accompanying notes are an integral part of these financial statements.

1. The Company

British Columbia Place Ltd. was incorporated under the Company Act of British Columbia and is also a Crown Corporation having special powers under the British Columbia Place Act.

The Company was established in 1980 to assemble approximately 224 acres of land adjacent to False Creek, to plan and manage an urban redevelopment project that includes the operation of a stadium as well as other public facilities and to prepare sites for residential, commercial and leisure use development.

2. Significant accounting policies

(a) Capitalization of costs

The Company capitalizes all direct acquisition, construction and development costs relating to land and site services and to public facilities which include the Stadium, B.C. Pavilion and Roundhouse. Also capitalized are carrying costs which include interest, grants in lieu of property taxes, other related costs and the applicable portion of general and administrative expenses less temporary lease revenue and interest income. All other assets are recorded at cost.

(b) Allocation of land and site services costs to public facilities

Land and site services costs are allocated to public facilities upon substantial completion of both the facility and related site development.

Land cost is allocated on a net developable acreage basis. Site services costs are allocated on the basis of their benefit to the facility.

(c) Depreciation and amortization

The Stadium structure, plaza and parkade are depreciated by the sinking fund method over 50 years in a series of annual instalments increasing at the rate of 5% compounded annually. The

2. Significant accounting policies - continued

Company anticipates residual value of 10% of cost in calculating the depreciation charge.

All other assets are depreciated or amortized by the straight-line method over their useful lives or lease terms. The estimated lives of these assets are between three and 25 years.

(d) Amortization of deferred charges

Stadium operations start-up costs incurred prior to the commencement of operations on June 19, 1983 are amortized on a straight-line basis over three years.

Marketing expenses relating to land operations incurred prior to March 31, 1985 are amortized against the land lease revenue on a straight-line basis over three years.

Debt discount on long-term debt is deferred and amortized on a straight-line basis over the term of the debt.

(e) Accounting for land leases

Land leases for periods of 65 to 99 years, where all revenue is received within the first three years and where no costs or risks with respect to the land are retained by the Company, are accounted for using the method prescribed for sales-type leases. Under this method, income or loss is recognized at the inception of the lease as though the land had been sold.

Land and site services costs attributable to such leases are allocated on a net developable acreage basis. These costs include a provision for the estimated costs required to complete the development, and are recorded as "Provision for future costs" on the balance sheet.

(f) Sinking funds

Payments made to sinking funds with respect to retirement provisions of sinking fund debentures are netted against long-term debt until such time as the debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(g) Income taxes

The Company is exempt from Federal and Provincial income taxes.

3. Accounts receivable and prepaid expenses

	1985	1984
	(in thousands of dollars)	
Expo 86 Corporation	$ 3,183	$ 11,913
B.C. Pavilion Corporation	276	---
Other accounts receivable	629	1,129
Prepaid expenses	244	261
	$ 4,332	$ 13,303

4. Land and site services

	1985	1984
	(in thousands of dollars)	
At April 1	$ 133,459	$ 103,175
Capitalization of costs:		
Direct	22,150	22,606
Carrying (note 2(a))	9,633	7,678
	165,242	133,459
Costs allocated (notes 2(b) and (e))	(30,845)	---
At March 31	$ 134,397	$ 133,459

Carrying costs capitalized are as follows:

Interest	$ 7,667	$ 3,904
Grants in lieu of property taxes	489	505
General and administrative, net	1,477	3,269
	$ 9,633	$ 7,678

Costs allocated are as follows:

Land lease	$ 1,027	$ ---
Stadium (note 5)	29,818	---
	$ 30,845	$ ---

The cost of land and site services as at March 31, 1985 includes land related to a sales-type lease which has been reduced to a nominal value of $1,000.

5. Stadium

	1985			1984
	Cost	Accumulated depreciation	Net book value	Net book value
		(in thousands of dollars)		
Land and site services	$ 29,818	$ ---	$ 29,818	$ ---
Structure	92,164	746	91,418	101,402
Plaza and parkade	9,621	43	9,578	9,765
Roof	11,753	748	11,005	8,985
Seats	5,939	238	5,701	---
Scoreboard	5,590	961	4,629	4,958
Other assets	13,435	3,061	10,374	9,921
	$ 168,320	$ 5,797	$ 162,523	$ 135,031

Other assets include artificial turf, advertising panels, audio-visual systems, telephone system, stadium modifications, mobile and portable equipment, concessions equipment, private box fixtures, furniture, office equipment and parking lots.

6. B.C. Pavilion and Roundhouse

	1985	1984
	(in thousands of dollars)	
At April 1	$ 728	$ ---
Capitalization of Costs:		
Direct	30,638	1,163
Carrying (note 2(a))	3,185	---
	34,551	1,163
Recoveries:		
Expo 86 Corporation	14,676	435
B.C. Pavilion Corporation	721	---
	15,397	435
At March 31	$ 19,154	$ 728

6. **B.C. Pavilion and Roundhouse - continued**

	1985	1984
	(in thousands of dollars)	
Carrying costs capitalized are as follows:		
Interest	$ 2,410	$ ---
General and administrative, net	775	---
	$ 3,185	$ ---

7. **Furniture, equipment and leasehold improvements (excluding Stadium)**

	1985			1984
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
		(in thousands of dollars)		
Furniture and equipment	$ 788	$ 318	$ 470	$ 216
Leasehold improvements	224	126	98	109
	$ 1,012	$ 444	$ 568	$ 325

8. **Investment in B.C. Pavilion Corporation**

The Company owns the only outstanding share of the B.C. Pavilion Corporation at a cost of $1. The B.C. Pavilion Corporation was incorporated on May 3, 1984 for the purpose of developing and operating the exhibitry at the B.C. Pavilion Complex for the 1986 World Exposition and it is expected this corporation will commence winding-up its affairs immediately following the Exposition.

The B.C. Pavilion Corporation has a separate Board of Directors appointed by and reporting to the Minister of International Trade and Investment and is funded independently of the Company. Due to the specialized purpose of the B.C. Pavilion Corporation and its independence from any influence by the Company, the investment is accounted for in the Company's accounts at cost.

8. **Investment in B.C. Pavilion Corporation - continued**

The B.C. Pavilion Corporation's summary financial statements from May 3, 1984 to March 31, 1985 are as follows:

(a) B.C. Pavilion Corporation
Balance Sheet as at March 31, 1985

	(in thousands of dollars)
ASSETS	
Cash and term deposits	$ 16,181
Interest receivable	1,487
Prepaid expenses and sundry receivables	25
Fixed assets	102
	$ 17,795
LIABILITIES AND EQUITY	
Bank loan	$ 155
Accounts payable	335
Share capital	
Surplus	17,305
	$ 17,795

(b) B.C. Pavilion Corporation
Statement of Receipts and Expenditures and Surplus for the Period May 3, 1984 to March 31, 1985

	(in thousands of dollars)
Grant, interest and contributions	$ 21,027
Expenditures	3,722
Surplus	$ 17,305

The accounting policies of B.C. Pavilion Corporation are consistent with those of the Company except for contributions which are recorded on a cash basis, and receipts and expenditures prior to the commencement of its exhibitry operations which are recognized or written off in the period when they occur.

9. **Long-term debt**

	1985	1984
	(in thousands of dollars)	
Sinking fund debenture, Series BCP-PRE-1, maturing on October 1, 1989 and bearing interest at 12.75%	$ 35,000	$ ---
Sinking fund debenture, Series PD-1, maturing on October 26, 1990 and bearing interest at 11.75%	30,000	30,000
12.25% note, Series PJC-1, maturing on January 31, 1996	10,000	10,000
Short-term notes maturing between April 1, 1985 and March 31, 1986 at an annual weighted average interest rate of 10.20% (as at March 31, 1985 - 9.85%)	31,660	23,704
Total principal	106,660	63,704
Less: Sinking fund, including earned interest, on deposit with the Minister of Finance, Province of British Columbia	(688)	---
	$ 105,972	$ 63,704

(a) Principal repayment and sinking fund requirements of the Series BCP-PRE-1 and Series PD-1 debentures during each of the five years subsequent to March 31, 1985 are as follows:

	(in thousands of dollars)
Years ending March 31,	
1986	$ 1,420
1987	$ 1,420
1988	$ 1,420
1989	$ 1,420
1990	$ 36,420

At the option of the Minister of Finance, the sinking fund debenture BCP-PRE-1 maturing in 1989, may be called prior to maturity, in whole or in part, under certain conditions or thirty days written notice.

9. Long-term debt - continued

(b) The Province of British Columbia has unconditionally guaranteed the principal and interest on the sinking fund debenture Series PD-1.

(c) The principal amount of the Series PJC-1 note is repayable in six instalments at 10% of principal amount for each instalment in the years 1991 to 1995, inclusive, with a final instalment of 50% of principal amount on January 31, 1996, or upon prior demand.

(d) The Company has a funding agreement with the Province of British Columbia whereby short-term funding required by the Company to carry out its day-to-day operations, over and above revenues received from all sources, is provided by the Province of British Columbia up to a maximum amount of $73,000,000 outstanding at any one time during the period January 16, 1984 to March 31, 1985. Under this agreement, short-term notes are renewed upon maturity as required by the Company. The funding agreement has been renewed with the Province of British Columbia with termination requiring the agreement of both parties.

10. Share capital

Authorized: 10,000 common shares, without par value.

Issued and fully paid: one share to British Columbia Buildings Corporation - $1. The Minister of Finance for the Province of British Columbia retains voting rights of this share.

11. Contributed surplus

Contributed surplus represents an equity investment by British Columbia Buildings Corporation in the amount of $205 million coincident with the acquisition of the only outstanding share of the Company from the Crown in right of the Province.

12. Change in accounting estimates

Based on researched information obtained from other stadia, the Company has reappraised the service lives of certain Stadium assets. The effect of the reappraisal has been to increase the depreciation expense, the loss from Stadium operations and deficit for the year ended March 31, 1985 by approximately $610,000.

13. Contractual commitments

(a) The Company has entered into various agreements to provide for site services. As at March 31, 1985, the total value of outstanding commitments was $1,245,000 (1984 - $11,791,000).

(b) The commitment to construct the B.C. Pavilion and the Roundhouse, excluding land and site services and net of recoveries from Expo 86 Corporation and B.C. Pavilion Corporation, amounts to $34,846,000. As at March 31, 1985, net expenditures amounted to $19,154,000.

14. Related party transactions

(a) Expo 86 Corporation, a British Columbia Crown Corporation created for the purposes of organizing, constructing and operating the 1986 World Exposition to be held in the City of Vancouver, leased a portion of the B.C. Place lands for its purposes in the amount of $1 and other considerations. The term of the lease covers four years and three months from March 31, 1983 up to and including June 30, 1987. The indenture of lease, signed June 3, 1983, sets out the commitments from both parties.

The major contributions from Expo 86 Corporation are as follows:

	Contributions	
	Total Commitment	As at March 31, 1985
	(in thousands of dollars)	
Seawall construction	$ 8,500	$ 8,500
Construction of B.C. Pavilion	22,730	13,052
Construction of Roundhouse	4,276	2,059
	$ 35,506	$ 23,611

Included in the contributions for construction of B.C. Pavilion and Roundhouse is an aggregate amount of $1,295,727 which was receivable from Expo 86 Corporation at March 31, 1985.

(b) The Company has incurred and charged B.C. Pavilion Corporation, a wholly-owned subsidiary, total expense of $996,769. This includes contributions toward the construction of B.C. Pavilion amounting to $720,726.

14. Related party transactions - continued

(c) In the normal course of its operations, the Company acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominately under prevailing trade terms.

15. Comparative figures

Certain 1984 amounts have been reclassified, where appropriate, to conform with the presentation adapted in 1985.

BRITISH COLUMBIA PLACE LTD.

DIRECTORS

Walter R. Badun
Vancouver, British Columbia
Chairman
Penreal Advisors Ltd.

Peter M. Brown
Vancouver, British Columbia
President
Canarim Investments Corp.

Hon. James R. Chabot
Victoria, British Columbia
Minister of Provincial Secretary
and Government Services
Province of British Columbia

* Bruce I. Howe
Vancouver, British Columbia
President
British Columbia Resources
Investment Corporation

* Lucille M. Johnstone
Vancouver, British Columbia
Senior Vice President
Rivtow Straits Ltd.

Edgar F. Kaiser, Jr.
Vancouver, British Columbia
Chairman and C.E.O.
Bank of British Columbia

Stanley Kwok
Vancouver, British Columbia
President
British Columbia Place Ltd.

* Allan D. Laird
Vancouver, British Columbia
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Steel Bros. Canada Ltd.

* John F. Newton
Vancouver, British Columbia
President
J. F. Newton Ltd.

James A. Pattison
Vancouver, British Columbia
President and C.E.O.
The Jim Pattison Group

* Member of Audit Committee

OFFICERS

James A. Pattison, Chairman and Chief Executive Officer

Stanley Kwok, President

Murray A. Cook, Acting Senior Vice President, Development and
Vice President, Marketing

Bayne E. Boyes, Vice President, Finance & Administration

J. Garry Watson, Secretary

David R. Podmore, Vice President, Planning, Design & Engineering

Harry J. Renaud, Vice President, Stadium and General Manager

Louis van Blankenstein, Vice President, Construction